

Absolute reliance on market financing of the internal deficit, however, could create pressures incompatible with the Government's desire to establish a structure of interest rates appropriate to the lower inflation rate that now prevails. Because of the need to balance public debt policy with interest rate objectives, the Government will continue to intervene directly as necessary in financial markets.

Measures implemented by the Government in recent years to enhance the economy's ability to respond to changing conditions are now showing results. An agreement, between the Government and representatives of the manufacturing sector, is near finality on a programme for gradually moving away from import licensing to tariff-based protection.

Progress has also been made in the deregulation of some of the service sectors of the economy:

- further licences have been granted to a number of financial institutions to deal in foreign exchange;
- the deregulation of the land and air transport systems has been introduced; and
- barriers have been removed to entry into the meat processing industry.

All these moves increase efficiency and reduce the costs borne by other sectors in the economy.

The economy as a whole will benefit from these wider measures.

The Government is pledged to encourage smaller businesses to improve their efficiency and thus to enhance their contribution to national growth. It will promote greater awareness of the range of financial and advisory services available—from both Government and private sector—which can help smaller businesses.

The strength of the international economic recovery, while pleasing, does not give any grounds for complacency. Because of the protectionism of our trading partners in a number of important pastoral product markets, this recovery is expected to provide only limited stimulus to the domestic economy. There can be no relaxation in the programme of adjustment if a return to sustained economic growth is to be achieved.

HONOURABLE MEMBERS, the Government continues to accord the highest priority to increased exports. This is the surest path to improved living standards and employment levels. It is essential that our exporters remain competitive and receive all possible encouragement. The Government will continue to support a professional approach to market development, to the diversification of products, and to further processing within New Zealand—which will add value to our exports.

The Treaty embodying Closer Economic Relations with Australia offers enormous opportunities. The Government will continue to work closely with the private sector to assist exporters to take advantage of these opportunities.